



United States
Department of
Agriculture

Food and
Nutrition
Service

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Subject: PCCP – Guaranteed Return Option

To: State Distributing Agencies

In June 2000, USDA approved pilots to test the Process Control Certification Program (PCCP) and an alternative to the Guaranteed Minimum Return (GMR) system. The PCCP set out to provide for red meat products, a value-added grading service, similar to an Option 2 grading program. The Guaranteed Return (GR) was created to address customers' concerns regarding the unpredictability of end product quantities received. The GR system also addresses State and processor concerns regarding cumbersome reporting and record-keeping requirements, while maintaining accountability of donated meat.

The purpose of this memorandum is to provide general information regarding the impact of participating in the PCCP GR option.

1. The GR option requires the Processor to have the USDA approved PCCP modified to include grader reconciliation of actual production yields with the guaranteed return and a National Monthly Performance Report (MPR). This step eliminates grader certification of production by State as currently reflected on LS-44 reports. All other terms of delivery, pricing, and payments remain in accordance with the State's agreement with the Processor. All requirements regarding the processing program, except the GMR, remain in accordance with 7 CFR 250.30.
2. Participation requires the Processor to have an approved substitution plan in compliance with the Federal Register notice published May 30 "Substitution of Donated Beef and Pork with Commercial Beef and Pork" that allows the substitution of commodity meat from one state with commodity meat from another state. (The Substitution provisions do not allow substitution of backhauled meat or the addition of uncertified commercial meat). The Processor will continue to track raw material received on behalf of each state.
3. For Processors and States participating in the GR option, a signed addendum shall be issued, listing the GR for all commodity-processed items. This is acceptable as an addendum to previously approved EPDS.
4. Bulk truckload orders will be purchased and delivered to processors with weights at 42,000 pounds for coarse ground beef and 40,020 pounds for pork picnics. There are no additional reporting, special ordering or requests for beef or pork processed under the GR option. All orders are handled the same as any beef and pork orders for direct shipment to processors.
5. The Processor will establish the GR for each end product processed. The GR will be based on the "average" yield of finished goods produced in the previous processing year(s) and will replace the minimum return required. As a part of the GR pilot, data comparing the following will be analyzed and reviewed: previous GMR; current GR and actual production yield.
6. A daily production record will be used by the AMS grader to verify the total pounds of raw commodity used in production and the resulting number of finished cases of a specific code number will be tracked on the National MPR.
7. Product labeling will comply with 7 CFR 250.30(i) and carry the statement "Contains Commodities Donated by the United States Department of Agriculture. This Product Shall Be Sold Only to Eligible Recipient Agencies." The USDA-AMS "certified process control program" shield will also be present on processed commodity box labels.

8. Recipients and State Agencies will receive the number of cases ordered. Under traditional GMR option, recipients cannot know the total amount of processed end product to be delivered until the actual production run is completed. Under the traditional program, a processor, short of product, would have to pay the recipient or state agency for the balance of the contact, or return more end product than expected, resulting in shipping, receiving and payment complications.
9. Under the GR option, State DA's will be able to pre-allocate pounds of raw beef and pork and/or desired number end product cases to districts, where appropriate.
10. The fee-for-service will remain the same as additional meat is not required to meet the GR.
11. Efficiencies in storage, distribution, delivery, menu planning, commodity allocations and ordering are expected to make processing more efficient for recipient agencies, state agencies, processors, and distributors.
12. Food safety for products going to schools is enhanced through the institution of industry standard "First In First Out" practices.
13. State Monthly Performance Reports (MPRs) will be affected under the GR option. Inventory drawdown on State MPRs will be based on the guaranteed return on the EPDS Addendum. State DAs will no longer have to reconcile production information from the LS-44 with the State MPR, as the AMS grader at the plant level does this. Thus the LS-44 will no longer accompany the State MPRs. The ACDA Processing Committee is developing a recommended State MPR, which may be used under the GR option.
14. The AMS grader will certify all boxes of processed commodities and the appropriate production data will be recorded on the National MPR. The National MPR will track and record the actual production.

Some States and recipient agencies have been approached regarding the PCCP GR option for the upcoming school year. Processors are currently submitting requests to USDA to process under this system. As processors are approved to operate under the PCCP GR option, we will alert state and regional offices and update the list of approved demonstration processors on the USDA website at:

<http://www.fns.usda.gov/fdd/MENU/ADMINISTRATION/PROGRAMS/STATE/>

For additional information, please feel free to contact either Suzanne Rigby at 703-305-2659 or Larry Meadows at 202-720-0343.

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